

a want of stability and coherence. If he did not burn the books, it may be conceded that he had not read them attentively. In promulgating these views, Mr. Buchanan had no sinister or personal object. He was an enthusiast, and went wrong in the firm belief that he was the only man in the world who was completely in the right, and that the realization of his views would greatly serve the public interest. In his economic errors, he was so firmly set as to be quite immovable. His intentions were good and his aims honest; but he was a stranger to the knowledge by which the questions he dealt with could have been solved. In this respect, Mr. Buchanan's career is full of instruction; and many another man who insists on solving intricate questions by his method will yet fall where he stumbled.

Precisely what part Mr. Buchanan's advocacy of protection had in giving birth to the national policy, it would be difficult to determine. His sympathy with labor was genuine and persistent; but he committed the mistake of contending that legislation should be exclusively directed to the welfare of the laborer. The currency question and the labor question he regarded as so intimately connected, that the solution of the one would be the solution of the other. Forgetting that our fertile virgin soils offered a practically unlimited field for labor, he thought it necessary to resort to protection as a means of finding employment for labor. For this purpose he exaggerated the benefits of the home market for agricultural products, great as it undoubtedly is.

One line of policy, which Mr. Buchanan laid down, still finds an increasing number of advocates. He was the first man to advocate a commercial union between Canada and the United States. At least a quarter of a century has passed since he first declared for a North American Zollverein. At first, the idea was almost universally repelled; now its advocates are numerous, and it is not impossible that the future may have a triumph in store for them.

MUTUAL INSURANCE.

A very important decision has recently been given by Judge McDougall in favor of the defunct Phoenix Mutual Fire Insurance Company. It was held by the learned Judge that policyholders were liable for the unexhausted portion of the undertaking or premium notes given by them to the Company. This decision, which is no doubt a correct one, bears particularly hard on such of the unfortunate victims of that Company as had sustained losses which remain unpaid, but whose premium notes must be paid notwithstanding.

The Phoenix Mutual belonged to a class of companies that never should have had an existence. It was never contemplated that under the Mutual Insurance Act such wild-cat companies would be organized. The principle on which the original mutual companies base their premium notes affords a reasonable degree of security to policyholders. The usual method is to multiply the ordinary annual rate of stock companies by four. This system gives a premium note equal to four annual premiums of a stock company. This premium note is given

for a three years' insurance. Should the three annual assessments on said premium note not exceed three-fourths of said note—and it is usually much less—twenty-five per cent. is still left unexhausted. This balance of the aggregate unexhausted premium notes is what mutual fire insurance companies hold as security to policyholders, in lieu of the subscribed or paid-up stock of a proprietary company. This kind of mutual fire insurance is legitimate, and reasonably safe.

The mutual insurance companies established during the past decade, under Chapter 161, Revised Statutes of Ontario, with such imposing names as the "Empire," "Reliance," "Royal," "Phoenix," differed very materially from the old Mutuals, in their mode of doing business. The amount of the undertaking or premium notes in many of them was only equal to the annual premium charged by a stock company. Eighty per cent. of this note was collected in cash at the time the insurance was effected, leaving the balance as security (?) to the policyholder. Suppose that every cent of this balance could be collected, it would, with the first cash payment, only equal one ordinary annual premium of a stock company. Would any sane man insure his property in a stock company having no paid-up or subscribed capital? Certainly not. Such a company, however, would be infinitely safer than one of these crazy mutuals. Imposing as were the names of these companies, and as such well calculated to deceive, these of themselves would fail to capture the simple and unwary, were it not that highly respected and wealthy business men in this city and elsewhere, allowed their names to flourish as directors of these sham companies. Insurers in the country, especially the mercantile community, seeing the names of wholesale merchants as directors in these companies—gentlemen well and favorably known to them, and with whom they dealt largely—naturally and very reasonably conclude that these gentlemen would not become directors in a company unless they were perfectly satisfied of its soundness and solvency. These gentlemen incurred a moral, if not a legal, responsibility, in becoming directors in such companies, and thus inspiring in the public mind a confidence in them which otherwise they would not obtain.

After some of these mushroom companies had come to grief, the late Inspector O'Reilly in his report of 1880 says: "Since the issue of my first report in January last, a period of six months, four mutual companies have, acting under my advice, or at my request, retired from business, viz.: 'The Argyle,' London; 'Crown,' Stratford; 'Sterling,' London, and 'Royal,' Hamilton." He should have been equally kind to some others, and merciful to a long-suffering public, by advising or requesting them to follow the example of the foregoing amiable quartette; and if such a good advice was not acted upon—such a reasonable request followed—he might have gone a step further by compelling them to retire from business, and thus save the public much annoyance and expense, and the promoters of these insurance bubbles from chagrin, disappoint-

ment and miserable failure. The lesson to be learned from the disappearance of all mutual insurance companies of the class described is four fold:

1st. No person who has not had an insurance training and experience in a subordinate position, should ever undertake to manage an insurance company.

2nd. No man who has any regard for his reputation as a successful business man, should ever become a director in such a doubtful enterprise, or be the unconscious means of inducing others, by his example, to place confidence in an institution such as we have been describing.

3rd. No person should insure property in any company on the mere strength of the names of the promoters, without full enquiry into the standing and practices of the company.

4th. The Inspector of Insurance, whose business it is to prevent any company from doing an insurance business unless he satisfies himself that it is done in a legitimate way, is not without blame in this matter; and we think the Mutual Insurance Act might be so amended as to prevent the recurrence of disasters to any company such as we refer to, causing loss and vexation to to a confiding public, in the future, and thus make mutual insurance what it should be, safe and reliable.

BANKER AND BROKER.

A strange story comes from Montreal about a quarrel between a broker and a banker. It is given in the *Mail* at length. The gravamen of the charge is that a banker, who had loaned considerable sums on stocks other than those of banks, conspired with another broker to squeeze his customer in the interest of broker No. 2. With this view, so the story runs, the banker gave notice that the rate of the loan would be put up from 6 to 6½ per cent; whereupon the broker elected to pay off the loan, \$200,000. The banker refused to return the security and called for an additional margin of \$25,000 on other stock. The broker then sent cheques to pay off all his indebtedness; the banker refused to receive the money and surrender the stocks, on the ground that it was contrary to the agreement; but on a peremptory demand being made, the money was received and stocks given up.

Such is the story, as told. Everything would depend upon the nature of the agreement; but it is almost certain that the broker had the right to get back the stocks, whenever demanded. The parties in question are not named, but it is no secret that people who loan upon margin sometimes lend the pledged stock for hire, and if this had been done in the present case, which is not alleged, that would have been a reason for refusing to surrender the stocks. A quarrel afterwards ensued between the broker and the banker, it is related, when the latter boasted that he could have crushed his victim the week before. No respectable banker, in his sober senses, would have said any such thing; but it is impossible to guarantee that any enormity, however great, will not be committed in an excess of passion. We trust the *Mail's* correspondent had no warrant for his statement, when he